The Most Effective CEO

Ten lessons in leadership

Leadership. No other business subject attracts more attention or generates more discussion. Hundreds of articles and books have examined it from every conceivable angle. In all of this explosion, there are ten important lessons that are most relevant to effective leadership in business, as well as in the chamber world.

First lesson: The most effective CEO makes a major commitment to developing the leadership skills of associates. According to respected business author Noel M. Tichy, effective leadership is needed at all levels of any organization. Ultimately, it’s up to the CEO to determine whether or not the critical level of leadership is achieved, and then sustained. By way of example, Jack Welch, as CEO of General Electric, devoted at least twenty percent of his time to GE’s Management Development Institute. He committed himself to working closely with its faculty to ensure that GE had the leaders and managers it needed for the years to come.

Second lesson: The most effective CEO manifests a paradoxical blend of personal humility and professional will. In his book, Good to Great, Jim Collins discusses what he calls “Level 5 Leadership.” He, and his research associates, began their study by analyzing 1,435 Fortune 500 companies (1965–1995). In the final analysis, only eleven companies were recognized for having completed the transition from being a good company to becoming a great one.

One of the key factors in their success was having a CEO who built enduring greatness in the company through a paradoxical blend of personal humility and professional will. Collins notes that Level 5 leaders “channel their ego away from themselves and into the larger goal of building a great company. It’s not that Level 5 leaders have no ego or self-interest. Indeed, they are incredibly ambitious—but their ambition is first and foremost for the institution, not themselves.”

Third lesson: The most effective CEO has impeccable personal integrity.

In The Inferno, Dante reserves the last ring in hell for those who, in a moral crisis, choose to preserve their neutrality. On the contrary, leadership author Bill George states that the most effective CEOs possess qualities of authentic leadership. They demonstrate “the highest integrity, are committed to building enduring organizations…have a deep sense of purpose and are true to their core values…have the courage to build their companies to meet the needs of all stakeholders, and recognize the importance of their service to society.”

Authentic leaders are, first and foremost, authentic human beings. They have deeply-held beliefs and non-negotiable values which determine their behavior, especially in relationships with others. Such values are most evident during a crisis, when immensely difficult decisions must be made. While authentic leaders do make serious mistakes, their motives are never questioned.

Fourth lesson: The most effective CEO concentrates first on who is on their staff, and only then on what needs to be done.

Collins suggests that a Level 5 leader ensures that the organization “gets the wrong people off the bus and the right people on the bus, located where they should be.” Such a leader builds a culture on the idea of freedom and responsibility within an established framework. The culture is sustained by carefully chosen, self-disciplined people who are willing to go to extreme lengths, whenever necessary, to fulfill their responsibilities. They over-prepare for whatever challenge, problem or opportunity that may lie ahead.

When Level 5 leaders recognize the need to make a personnel change, they act. They don’t just hire for the sake of hiring; they keep looking for the right candidate. They realize that the cost of a bad hire is significant. According to extensive research by Bradford D. Smart, the total cost of a mis-hire (on average) can be as much as 24 times salary.

Level 5 leaders always put their best people on the organization’s biggest opportunities, not its biggest problem. As Collins correctly notes, “The old adage ‘People are the most important asset’ turned out to be wrong. The right people are.” Allowing the wrong people to remain on a “bus” sends a negative message to the right people in the same organization and everyone else, including customers, associated with it.

Fifth lesson: The most effective CEO sincerely cares about associates and always provides support and encouragement.

In his article in the Dallas Morning News, sportswriter Gerry Fraley discussed the Minnesota Twins management and how they treat their people. They have a payroll that is $110-million less than that of the Yankees, a strong track record of wins and an equally strong morale. Fraley relays a classic example when a team member was hospitalized with a life-threatening illness. He states, “When beloved third-base coach, Al Newman, was hospitalized in Chicago this month with a brain hemorrhage, general manager Terry Ryan remained with him for the entire 11-day stay…the Twins clinched the Central title at
home, [and] Manager Ron Gardenshire stopped the post-game celebration, brought out Newman’s uniform top and reminded the crowd of what he had done for the club.”

**Sixth lesson:** The most effective CEO has a rock-solid faith in a compelling vision, and inspires others to help make that vision a reality.
Research continues to suggest that we can’t motivate others. However, it is possible to inspire others to motivate themselves to achieve what Collins characterizes as “Big Hairy Audacious Goals.” (Consider the power and impact of Winston Churchill’s eloquence during England’s “darkest hours.”)
Throughout the history of American business, there have been countless companies desperate and at the brink of liquidation. In spite of this, their leaders remained committed to a compelling vision and inspired associates to share their faith in that vision. Those companies eventually survived and remain some of the most enduring companies in America today—Disney, Intel, McDonald’s, Microsoft, Southwest Airlines, and Wal-Mart.

**Seventh Lesson:** The most effective CEO resembles a bunsen burner, not a sparkler.
No one can refute the importance of charisma. The word, sometimes used interchangeably with “mystique,” is derived from the Greek “kharisma,” meaning divine gift. It is used to describe someone who has an exceptional ability to attract the attention, and the devotion of, substantial numbers of people.
While many people remain convinced that the most effective leaders are charismatic, that doesn’t hold true in most cases. Most good leaders focus entirely on organizational performance and are not interested in self-aggrandizement. In fact many highly effective CEOs are not well known—Fred Allen, George Cain, Joseph Cullman, III, Jim Herring, Ken Iverson, David Maxwell, Colman Mockler, Carl Reichardt, Darwin Smith, Cork Walgreen, and Alan Wurtzel. These are (or were) the CEOs of the eleven good-to-great companies. According to Collins, “The moment a leader allows himself to become the primary reality that people worry about, rather than the reality being the primary reality, you have a recipe for mediocrity, or worse. This is one of the key reasons why less charismatic leaders often produce better long-term results than their more charismatic counterparts.”

**Eighth Lesson:** The most effective CEO is a realist who confronts unpleasant situations and is better prepared to cope with others along the way.
Warren Bennis has written more than 25 books and hundreds of articles on the subject of leadership. In Geeks & Geezers, Bennis notes that all of the greatest leaders encountered and overcome serious personal problems—what he calls, “crucibles.” He states, “We believe that we have identified the process that allows an individual to undergo testing and to emerge, not just stronger, but better equipped with the tools he or she needs both to lead and to learn. It is a model that explains how individuals make meaning out of difficult events—we call them crucibles—and how that process of ‘meaning making’ both galvanizes individuals and gives them their distinctive voice.”

By way of example, he reiterates how Admiral James Stockdale was imprisoned and tortured for more than eight years in the “Hanoi Hilton.” Stockdale remains the only three-star officer in the history of the U.S. Navy to wear both aviator’s wings and the Congressional Medal of Honor.

**Ninth lesson:** The most effective CEO has almost total recall of significant detail.
These leaders have their eye always on the proverbial “sparrow.” They maintain a sharp focus on what is essential to the achievement of their organization’s ultimate objectives. It is remarkable that the world’s greatest golfers can reconstruct a successful round completed years ago, shot by shot, but they block out a poor shot and concentrate exclusively on the next shot to be made. The issue is both one of focus and of mastering significant detail. The same is true of the greatest leaders in other fields, including business. Stephen Covey suggests that executives spend too much time on what is urgent and not enough time on what is important. An effective CEO knows how to set appropriate priorities.

**Tenth lesson:** The most effective CEO builds an organization based on multiple intelligences.
Some of us are highly analytical and excellent at problem solving. Others are uncommonly intuitive, sensing what cannot be revealed by reason alone. Still others are highly creative or innovative and can envision something entirely new or recognize new potentialities and applications for what already exists.
Throughout history, very few individuals have possessed all three in full development. (Leonardo da Vinci and Thomas Edison are two who did.) Every organization requires an appropriate combination of talents and skills among those who work there. A good leader views the organization as a living organism, not as a machine. They create a strong environment made up of people with diverse skills. Knowing that the environment can change over time, they are fully prepared to modify the combination of skills as needed.

**Does the Perfect CEO actually exist?**
Never has and never will. Throughout time, however, profoundly imperfect men and women have demonstrated exceptional leadership. They are worthy of our rigorous consideration as well as our enduring admiration.

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Since February, 2001, Robert Morris has been reviewing business books for ACCE, as well as 25 other Web sites which include Amazon.com and borders.com (which now rank him #7 among their “Top 100 Reviewers”), HR.com, National Association of Manufacturers, and Business and Professional Women/USA. He also conducts interviews of best-selling authors for Chamber Executive. Based in Dallas, Morris is co-managing partner with Gary Vike of Morris Vike International, a management consulting firm which specializes in executive development within corporations and professional associations. He can be contacted directly at interlect@mindspring.com.